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CENTRAL INTELLIGENCE AGENCY

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A. Political-Economic**1. Summit Conference**

Political observers in Moscow hold the view that present Soviet policies are aiming at an extension of preliminary discussions over at least one year for the following reasons:

- a. No major compromises can be expected from the West at the present moment. Moscow needs another year or two in order to increase the technical advantage in the development of rocket weapons to such a degree that this advantage may be effectively used in future discussions.
- b. Moscow objects in principle to the delivery of modern rocket weapons to European satellite countries. The continued discussion on the Rapacki Plan is expected to result in a certain relaxation of Western efforts in the field of atomic armament. Although, for the above reasons, Moscow, at present, is not interested in agreements with the West possibly to be reached at a summit conference, pertinent activities are being continued not only for propagandistic purposes but also in order to foster differences in the Western camp and to prevent or at least delay atomic armament of additional European countries.

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(Comment: The above assumptions are believed to be generally correct. The continued modification of the Rapacki Plan, with the recently suggested destruction of nuclear weapons, thus is to furnish constantly changing topics of discussion and to delay results of preliminary negotiations by offers unacceptable for the West.)

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5. Industrial Development in the USSR in 1957

Available information on 1957 results of the Soviet industry corresponds to previous estimates, even with regard to over-fulfilment in individual branches of industry as, for example, coal, crude oil, and non-ferrous metals. Although, as a result of a revision in early 1957, the 1957-plan had been considerably reduced, investments of preceding years continued effective, thus making possible an over-fulfilment in various fields. However, even in these fields the original plan targets could not be reached. In spite of the fact that 1960 production targets of the 6th Five-Year-Plan are still being propagated, they are believed to be unrealizable, particularly with regard to basic industries. The USSR therefore is presently preparing a new 7-Year Plan for 1959-1965, which is to be based on actual conditions to a larger degree as was the case with the original 6th Five-Year Plan. Similar to 1957, 1958 is thus also considered as transitional year, with plan figures apparently having been considerably reduced in some instances.

These reductions had been necessitated by various reasons as f.e.
the economic crisis in satellite countries which prevented the execution of scheduled industrial deliveries;

the apparent overestimation of progress in the mechanization and automatization in the civilian economy;

the labor shortage which was further increased by the delay in the mechanization and automatization; and

the reorganization of industrial administration in the summer of 1957.

The latter is believed to be the main reason for the necessity to prepare a provisional plan also for 1958. In spite of the satisfactory 1957 results in most industries, the large difficulties which were caused by the establishment of local Economic Councils are discernable everywhere. These difficulties originate mainly from poor cooperation which, in turn, is due to the self-sufficient attitude of the new administrations. The latter try to keep for themselves as many agricultural enterprises as possible and, at the same time, to become as independent as possible from the adjoining districts. This tendency has already led to the result that, regardless of their national importance, highly specialized enterprises are being occupied with local orders. This caused major difficulties in other production fields, forcing factories to manufacture such special products themselves, naturally at a considerably higher price and simultaneously of poorer quality. Products concerned were predominantly special instruments which are being manufactured only in a few plants and the output of which does not show in production data published.

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Yet, further industrial development in the USSR to a large extent depends on coordination. It is being hoped that this aim will be achieved in 1958.

It has recently been suggested to unite certain branches of industry f.e. wood and peat, under one Economic Council of the various they belong to at present.

The industrial potential of the USSR is already large enough to enable Moscow to overcome temporary production difficulties in individual branches of industry either by extension of production as f.e. with the electro-technical products or else by imports from other countries as is the case with electro-locomotives.



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